

m/47/013

From: Wayne Hedberg
To: Anthony Gallegos
Date: Fri, Jul 14, 2000 4:29 PM
Subject: Ziegler Chemical Independence-2 and replacement surety updates - M/047/013

I spoke with Gayle McKeachnie, Bill Hyland and Chip Ziegler on 7/13/00 regarding their request for amendment approval to begin operations at the Independence - 2 site. Bill and Chip had called Joelle requesting information why we had advised their surety broker to hold off on assigning a dollar amount to the new replacement surety bond to replace the Frontier bond in question.

I told them we had requested that the surety broker temporarily hold off inserting a dollar amount until we knew whether we needed to increase the bond amount at this time or not. We asked for a draft form to be completed and sent for our review. Ziegler had said they would be willing to increase same if it helped us move the I-2 amendment approval along sooner. I told them of our concern with their non-responsiveness to previous requests for permitting information. I said we needed assurances that we would receive the requested information in a timely manner before we could consider issuance of a conditional approval for the project amendment. I told them that the bonding issue was not a significant concern for the I-2 amendment at this time. I said that we could update the replacement surety bond dollar amount when we received the June 13, 2000 requested information allowing us to update and revise the current bond estimate.

I asked Gayle to talk with Stan Wagner the new mine manager and give us feedback on the status of the reclamation at the I-3 site. I also asked him to give us a schedule with dates for receipt of the deliverables previously requested. He said he would discuss same with Stan and get back to me by Friday.

On Friday morning I received a call from Gayle's secretary(?) Jill who stated that they would be sending us a fax on Monday morning which would contain most of the information we had requested in our June 13, 2000 letter (with exception of a couple maps which have to be surveyed yet).

Friday afternoon we received a fax from Ziegler's surety broker containing a draft replacement surety bond form. Also enclosed with a surety cancellation notice for the existing Frontier Insurance bond, effective July 13, 2000. I immediately called Jemaima Yepes (212) 285-2100, ext. 27 of Global Risk Management Services, Inc. and told her we couldn't accept this cancellation notice. I told her that the surety bond contract contained a 90-day prior written notice clause. I told her that we needed a revised cancellation notice immediately as the mine was now effectively out of compliance. She said she would try and fax us a revised cancellation notice before the end of the day (was 4:30pm their time).

I subsequently called Gayle McKeachnie's office and left a message of same. I then called Stan Wagner at Ziegler and told him of the problem. He said he would call Chip Ziegler and advise him of same to get problem resolved. He also confirmed that he would be sending up the permitting information package on Monday morning. He apologized for the lack of performance by Ziegler's past management, and assured me that with new management and corporate direction, that they were committed to make things right with us. He said they would work diligently to clean up the problems left by their predecessors and reestablish a good working relationship with our agency.

A COPY OF THIS EMAIL MEMO WILL BE COPIED TO THE MINE FILE.

CC: Doug Jensen; Joelle Burns